
Board Action Bulletin



Prepared by the Office of Public & Congressional Affairs

NCUA BOARD ACTIONS TAKEN APRIL 24, 2003

NCUA's Operating Fund, Share Insurance Fund, Central Liquidity Facility and Community Development Revolving Loan Program have each received unqualified opinions from independent auditor Deloitte & Touche LLP.

First quarter 2003 NCUSIF report

The National Credit Union Share Insurance Fund (NCUSIF) ended the first quarter of 2003 with a 1.31 percent equity ratio, after beginning the quarter at 1.27 percent, because of an influx of funds from share insurance deposit adjusts. The equity ratio is projected to be 1.26 percent at yearend 2003 based on expected, near double-digit share growth and a low number of closures. In the first three months of 2003, two credit unions failed costing the Fund \$140,000.

NCUSIF gross income was \$44.6 million in the first three months of 2003, operating expenses were \$20.2 million, insurance losses were \$6.8 million due to increasing fund reserves, and net income was \$17.5 million as revenue and expenses closely tracked projections.

NCUA sign and advertising statement requirements revised

The NCUA Board approved revisions to Part 740 to update and clarify the regulation and address internet placement of NCUA's official insurance sign and the use of trade names in advertising. In response to public comments, the rule permits credit unions to vary the font size on the official signs on websites and to use official signs in colors other than the traditional blue and white.

The revisions also clarify that the use of trade names or names other than the official charter name is permissible, except in communications with NCUA and in legal documents such as consumer disclosures, contracts, titles or liens.

Additionally, the rule clarifies that federally insured credit unions must display the official advertising statement on their website home page and the official sign on a sign-in page where a member enters the credit unions transactional website to open an account, deposit or transfer funds. The rule is effective 60 days after publication in the *Federal Register*.

Revisions clarify rule and permissible investments to fund employee benefits

The NCUA Board issued a final rule amending Section 701.19 of the *NCUA Rules & Regulations*, which permits federal credit unions to provide reasonable retirement benefits for employees and officers. The amendments clarify the scope of the rule and the investments the federal credit union may use to fund employee benefits.

Overseas branching rules established and insurance coverage addressed

The NCUA Board approved final rule Part 741 establishing requirements for federally insured credit unions that wish to branch outside the United States after considering the legal issues, supervision and examination considerations and options for insuring member accounts at foreign branches.

The final rule, effective July 1, 2003, requires credit unions to develop a comprehensive business plan and receive foreign government and NCUA approval prior to establishing a branch outside the United States. State-chartered credit unions must also obtain state regulator approval. The final rule also addresses insurance coverage at foreign branches.

A three-step process was established for applicants that wish to branch outside the United States.

1. A credit union must receive written approval from the host country to establish the branch that recognizes NCUA's authority to examine and take any enforcement action with regard to that branch office, including conservatorship and liquidation action.
2. The credit union must develop a specific, comprehensive business plan and be knowledgeable of local overseas employment laws.
3. A state-chartered credit union must submit documentation showing state regulator approval. However, because of risk to the NCUSIF, the NCUA must have the final authority to approve or disapprove a foreign branch.

NCUA regional directors have 60 days to approve the application and may revoke approval for failure to follow the business plan. NCUA's concurrence is unnecessary if a state regulator wishes to revoke approval of a foreign branch; however, the state regulator must notify NCUA of revocation.

Member accounts are insured by the NCUSIF at federally insured credit unions outside the United States only if denominated in U.S. dollars and only if payable, by the term of the account agreement, at a U.S. office of the credit union. If the host country requires insurance from its own system, accounts would not be insured by the NCUSIF.

Chartering activity

Charter expansion

The NCUA Board approved, by a two to one vote, the request of \$158 million Tooele Federal Credit Union, Tooele, Utah, to expand its community charter to serve the people who live, work, worship, work, attend school, businesses and other legal entities located in Davis, Morgan, Salt Lake, Summit and Weber Counties in Utah.

Charter conversions

The NCUA Board approved the request from \$469.4 million Aberdeen Proving Ground Federal Credit Union, Aberdeen, Md., to convert from a multiple-group to a community charter able to serve the people who live, work, worship, attend school, businesses and other legal entities in Harford and Cecil Counties, Maryland.

The NCUA Board approved the request from \$781 million Members 1st Federal Credit Union, Mechanicsburg, Pa., to convert from a multiple-group to a community charter able to serve the people who live, work, worship, attend school, businesses and other legal entities in the south central Pennsylvania counties of Adams, Dauphin, Lebanon, Perry, York and Cumberland and the entire Borough of Shippensburg.

Votes are unanimous unless otherwise indicated.

